

# Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	County	Type	MuniCode
Opinion Date	Audit Submitted	Fiscal Year	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified?
<input type="checkbox"/>	14. If not, what type of opinion is it? <input type="text"/>
<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/>
General Fund Expenditure:	<input type="text"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Last Name	Ten Digit License Number		
CPA Street Address	City	State	Zip Code	Telephone
CPA Firm Name	Unit's Street Address	City	Zip Code	

**MONROE COUNTY  
EMPLOYEES' RETIREMENT  
SYSTEM**

**Financial Statements**

**For the Years Ended  
December 31, 2007 and 2006**



**REHMANN ROBSON**

*Certified Public Accountants*

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL

## **INDEPENDENT AUDITORS' REPORT**

June 19, 2008

To the Board of Trustees  
Monroe County Employees' Retirement System  
Monroe, Michigan

We have audited the accompanying statements of plan net assets of the ***Monroe County Employees' Retirement System*** (the "System") as of December 31, 2007 and 2006, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Employees' Retirement System pension trust fund and do not purport to, and do not present fairly the financial position and the changes in financial position of Monroe County as of and for the years ended December 31, 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the System's net assets held in trust for benefits at December 31, 2007 and 2006, and changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

# **FINANCIAL STATEMENTS**

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Statements of Plan Net Assets

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Investments, at fair value:		
U.S. treasuries	\$ 12,672,962	\$ 15,358,063
U.S. agencies	18,344,991	18,753,941
Foreign government bonds	14,974,078	12,184,739
Corporate bonds	22,934,287	22,726,911
Bond mutual fund	2,194,186	1,450,896
Domestic equities	48,464,231	50,966,719
International equities	10,216,186	9,833,815
American depository receipts	39,152,398	33,205,965
Domestic real estate investment trusts	1,016,676	1,091,555
International real estate investment trusts	3,816,911	-
Collateralized mortgage obligations	3,597,976	2,039,359
Money market	9,397,690	9,335,498
Total investments	<u>186,782,572</u>	<u>176,947,461</u>
Contributions receivable	432,174	40,752
Accounts receivable	-	55,256
Foreign currency forward contracts receivable	27,584	-
Accrued interest and dividends	<u>1,000,498</u>	<u>959,825</u>
 Total assets	 <u>188,242,828</u>	 <u>178,003,294</u>
 <b>Liabilities</b>		
Accounts payable / accrued expenses	452,154	316,931
Foreign currency forward contracts payable	<u>-</u>	<u>154,112</u>
 Total liabilities	 <u>452,154</u>	 <u>471,043</u>
 <b>Net assets held in trust for pension benefits</b> <b>(a schedule of funding progress is</b> <b>presented on Page 13)</b>	   <u><u>\$ 187,790,674</u></u>	   <u><u>\$ 177,532,251</u></u>

The accompanying notes are an integral part of these financial statements.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Statements of Changes in Plan Net Assets For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Additions</b>		
Investment income:		
<i>From investing activities:</i>		
Net appreciation in		
fair value of investments	\$ 8,242,677	\$ 13,590,464
Interest and dividends	6,286,782	5,715,548
Total investment gain	14,529,459	19,306,012
Investment management fees	(922,963)	(1,061,366)
Net gain from investing activities	13,606,496	18,244,646
<i>From securities lending activities:</i>		
Gross earnings	1,893,573	1,907,830
Borrower rebates	(1,724,851)	(1,788,873)
Securities lending fees	(67,454)	(47,607)
Net income from securities lending activities	101,268	71,350
Total net investment gain	13,707,764	18,315,996
Contributions:		
Employer	4,910,784	3,170,195
Participants:		
Regular	336,074	329,125
Time purchase	22,308	30,434
Total contributions	5,269,166	3,529,754
Total additions	18,976,930	21,845,750
<b>Deductions</b>		
Participant benefits	7,599,021	6,724,484
Participant refunds	630,322	612,617
Administrative expenses	489,164	268,517
Total deductions	8,718,507	7,605,618
Net additions to net assets held in trust for benefits	10,258,423	14,240,132
Net assets held in trust for benefits, beginning of year	177,532,251	163,292,119
<b>Net assets held in trust for benefits, end of year</b>	<b><u>\$ 187,790,674</u></b>	<b><u>\$ 177,532,251</u></b>

The accompanying notes are an integral part of these financial statements.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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### 1. PLAN DESCRIPTION

The Monroe County Employees' Retirement System (the "System") is a single-employer defined benefit contributory pension plan administered by the Monroe County Employees' Retirement System Board of Trustees (the "Board"). The System primarily provides pension, disability and death benefits, covering substantially all full-time employees of Monroe County and its component units, including:

- Monroe County Library System
- Monroe County Road Commission
- Monroe County Drain Commissioner
- Monroe County Agency
- Monroe County Community Mental Health Authority

The System was adopted by Monroe County pursuant to Michigan Compiled Laws, Section 46.12a. Benefit provisions are established by and may be amended by the Board as permitted by County Ordinances. The System is reported as a pension trust fund in the County's financial statements.

System membership consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Retirees and beneficiaries currently receiving benefits	464	434
Terminated employees entitled to but not yet receiving benefits	134	127
Active participants	981	974

Central Dispatch supervisors and Sheriff Department employees (consisting of deputies and command, jail and corrections officers) are required to contribute 3.0% of the first \$7,800 in earnings and 5.0% of earnings thereafter to the System. Road Commission employees are required to contribute 3.1% of their annual earnings. All other County employees, along with employees of the Library System, Drain Commissioner, County Agency and Community Mental Health Authority, are not required to contribute.



# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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The employer contributes such additional amounts, as necessary based on an actuarial determination, to provide assets sufficient to pay for member benefits. Employer contributions for the year ended December 31, 2007 totaled \$4,910,784 (including \$172,666 from the County for Central Dispatch employees, \$789,814 from the Road Commission, \$207,052 from the Community Mental Health Authority, \$185,358 from the Library and \$193,886 from the County Agency).

Employer contributions for the year ended December 31, 2006 totaled \$3,170,195 (including \$162,232 from the County for Central Dispatch employees, \$725,375 from the Road Commission, \$3,032 from the Community Mental Health Authority and \$54,339 from the County Agency).

## 2. SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting*** - The System's financial statements are prepared on the accrual basis of accounting. Member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

***Valuation of Investments and Income Recognition*** - The System's investments are stated at fair value which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

***Administration*** - Administrative costs are paid through the System's investment earnings.

***Reclassifications*** – Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

### 3. INVESTMENTS AND SECURITY LENDING

The System's investments are primarily held in a bank-administered trust fund. Following is a summary of the System's investments as of December 31:

	<u>2007</u>	<u>2006</u>
<b>Investments at fair value, as determined by quoted market price:</b>		
U.S. treasuries	\$ 12,672,962	\$ 15,358,063
U.S. agencies:		
Not on securities loan	2,225,916	4,671,577
On securities loan	16,119,075	14,082,364
Foreign government bonds	14,974,078	12,184,739
Corporate bonds:		
Not on securities loan	22,818,765	22,138,768
On securities loan	115,522	588,143
Bond mutual fund	2,194,186	1,450,896
Domestic equities:		
Not on securities loan	33,106,288	29,142,429
On securities loan	15,357,943	21,824,290
International equities	10,216,186	9,833,815
American depository receipts	39,152,398	33,205,965
Domestic real estate investment trusts	1,016,676	1,091,555
International real estate investment trusts	3,816,911	-
Collateralized mortgage obligations	3,597,976	2,039,359
Money market	9,397,690	9,335,498
<b>Total investments</b>	<b><u>\$ 186,782,572</u></b>	<b><u>\$ 176,947,461</u></b>

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in domestic and foreign stocks, government securities, corporate securities, mortgages, real estate and various other investment instruments, subject to certain limitations.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

As of December 31, 2007, the System's investments in debt securities were rated by Standard & Poor's as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Foreign government bonds</u>	<u>Corporate bonds</u>	<u>Collateralized mortgage obligations</u>
AAA	\$ 16,864,206	\$ 10,349,418	\$ 2,743,079	\$ 3,597,976
AA+	-	174,059	-	-
AA	-	217,091	3,469,613	-
AA-	1,480,785	365,729	3,515,942	-
A+	-	1,257,129	7,321,957	-
A	-	1,590,482	3,252,321	-
A-	-	515,256	868,575	-
BBB+	-	-	1,578,015	-
BBB	-	-	184,785	-
Not rated	-	504,914	-	-
	<u><u>\$ 18,344,991</u></u>	<u><u>\$ 14,974,078</u></u>	<u><u>\$ 22,934,287</u></u>	<u><u>\$ 3,597,976</u></u>

As of December 31, 2006, the System's investments in debt securities were rated by Standard & Poor's as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Foreign government bonds</u>	<u>Corporate bonds</u>	<u>Collateralized mortgage obligations</u>
AAA	\$ 17,333,134	\$ 9,625,160	\$ 1,881,479	\$ 2,039,359
AA	-	209,579	2,762,766	-
AA-	1,420,807	-	3,860,186	-
A+	-	1,132,224	6,607,829	-
A	-	-	4,270,348	-
A-	-	1,217,776	2,075,326	-
BBB+	-	-	768,837	-
BBB	-	-	500,140	-
	<u><u>\$ 18,753,941</u></u>	<u><u>\$ 12,184,739</u></u>	<u><u>\$ 22,726,911</u></u>	<u><u>\$ 2,039,359</u></u>

United States treasury securities are explicitly guaranteed by the U.S. government and not considered to have credit risk. The System's investments in bond mutual and money market funds are not rated.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that securities be held in trust by a third-party institution in the System's name or its nominee custodian's name or in bearer form.

Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the System's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% may be held in any single common stock. At December 31, 2006 and 2007 the System's investment portfolio was not concentrated.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

Maturities of the System's debt securities were as follows as of December 31:

	<b>Fair Value</b>	<b>Investment Maturities (fair value by years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
<b>2007</b>					
U.S. treasuries	\$ 12,672,962	\$ -	\$ 5,810,851	\$ 6,202,434	\$ 659,677
U.S. agencies	18,344,991	260,406	8,161,613	3,290,732	6,632,240
Foreign governments	14,974,078	4,176,530	6,930,418	3,615,124	252,006
Corporate bonds	22,934,287	2,552,237	13,045,360	5,857,762	1,478,928
CMO	3,597,976	-	-	-	3,597,976
	<b><u>\$ 72,524,294</u></b>	<b><u>\$ 6,989,173</u></b>	<b><u>\$ 33,948,242</u></b>	<b><u>\$ 18,966,052</u></b>	<b><u>\$ 12,620,827</u></b>
<b>2006</b>					
U.S. treasuries	\$ 15,358,063	\$ 197,836	\$ 7,658,394	\$ 3,695,210	\$ 3,806,623
U.S. agencies	18,753,941	1,779,845	7,842,200	4,664,135	4,467,761
Foreign governments	12,184,739	2,296,971	4,768,338	4,504,076	615,354
Corporate bonds	22,726,911	2,820,904	13,171,046	6,734,961	-
CMO	2,039,359	-	-	-	2,039,359
	<b><u>\$ 71,063,013</u></b>	<b><u>\$ 7,095,556</u></b>	<b><u>\$ 33,439,978</u></b>	<b><u>\$ 19,598,382</u></b>	<b><u>\$ 10,929,097</u></b>

Of the above balances as of December 31, 2007 and 2006, \$766,130 and \$2,375,139, respectively, of corporate securities were callable.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

*Foreign Currency Risk.* Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System's exposure to foreign currency risk is summarized as follows:

Investment / Country	Currency	Fair Value (in U.S. Dollars)	
		2007	2006
Foreign government bonds			
Australia	Australian dollar	\$ 2,420,571	\$ 1,807,485
Canada	Canadian dollar	2,605,582	2,506,068
Germany	European euro	-	2,088,700
Malaysia	Malaysian ringgit	891,735	341,531
New Zealand	New Zealand dollar	137,143	424,274
Norway	Norwegian krone	1,172,544	-
Poland	Polish zloty	1,590,482	1,217,776
Singapore	Singapore dollar	1,321,790	1,153,475
South Africa	South African rand	892,720	790,693
Sweden	Swedish krona	2,192,757	1,142,242
United Kingdom	British pound	1,748,754	712,495
		14,974,078	12,184,739
International equities			
Australia	Australian dollar	227,793	173,228
Bermuda	Bermudian dollar	715,177	703,340
Canada	Canadian dollar	3,172,361	3,061,663
Cayman Islands	Cayman Islands dollar	428,400	775,690
France	European euro	127,000	499,758
Germany	European euro	1,666,628	780,444
Israel	Israeli new shekel	214,659	169,814
Italy	European euro	188,165	157,247
Japan	Japanese yen	274,249	218,687
Luxembourg	European euro	349,102	415,084
Netherlands	European euro	101,658	841,577
Panama	Panamanian balboa	-	171,653
Portugal	European euro	-	256,846
Puerto Rico	U.S. dollar	332,446	-
Singapore	Singapore dollar	508,110	299,513
Spain	European euro	-	342,176
Sweden	Swedish krona	253,477	223,974
Switzerland	Swiss franc	544,551	333,021
United Kingdom	British pound	1,112,410	410,100
		10,216,186	9,833,815
Total		\$ 25,190,264	\$ 22,018,554

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

In addition, as part of a foreign currency overlay plan in conjunction with the foreign government bonds, the System has entered into certain forward contracts (derivatives) to reduce overall portfolio volatility caused by foreign currency risk.

Following is a summary of these forward contracts, for which an asset in the amount of \$27,584 as of December 31, 2007 and a liability in the amount of \$154,112 as of December 31, 2006, representing the fair value of those contracts, has been reported in the accompanying statements of plan net assets:

<b>Investment / Currency</b>	<b>Current Maturity Date</b>	<b>Receivable (Payable)</b> <i>[in U.S. Dollars]</i>	
		<b>2007</b>	<b>2006</b>
Australian dollars payable		\$ -	\$ (1,805,804)
Canadian dollar payable	01/24/08	(970,982)	-
European euros payable		-	(1,209,635)
European euros payable		-	(822,454)
Japanese yen receivable		-	3,606,742
Japanese yen receivable		-	810,192
New Zealand dollars payable		-	(621,372)
United Kingdom pounds payable	03/20/08	(1,144,091)	(704,773)
United Kingdom pounds payable	03/20/08	(152,943)	-
United States dollars payable		-	(3,678,000)
United States dollars receivable	01/24/08	965,852	701,630
United States dollars receivable	03/20/08	1,174,539	1,154,327
United States dollars receivable	03/20/08	155,209	2,415,035
<b>Net contracts payable</b>		<b>\$ 27,584</b>	<b>\$ (154,112)</b>

*Securities Lending.* A contract approved by the System's Board of Directors permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral securities and letters of credit are initially pledged at 102 percent of the market value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

### 4. ANNUAL REQUIRED CONTRIBUTION

The annual pension cost and net pension obligation for the year ended December 31 were as follows:

	<u>2007</u>	<u>2006</u>
Annual required contribution/ pension cost	\$ 4,910,784	\$ 3,170,195
Contribution made	<u>4,910,784</u>	<u>3,170,195</u>
Increase (decrease) in net pension obligation	-	-
Net pension asset, beginning of year	<u>-</u>	<u>-</u>
<b>Net pension asset, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The annual required contribution for 2007 and 2006 was determined as part of an actuarial valuation of the System as of December 31, 2005 and 2004, respectively, using the entry age normal cost method and is designed to accumulate sufficient assets to pay benefits when due. Normal cost is funded on a current basis. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 20 years. Significant actuarial assumptions used include: (a) a rate of return on investments of 7.0% per year compounded annually; (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 1.0% to 8.0% per year, depending on age and service, attributable to seniority/merit; and (d) the assumption that pension benefits will not increase after retirement.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. Liabilities created by plan, assumption or method changes are amortized as a level percentage of payroll over a 12-year closed period. Liabilities created by plan experience and all other liabilities or over-funding are amortized as a level percentage of payroll over a 9-year open period.



# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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### 5. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the System as of December 31, 2006, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 174,001,978	
Actuarial value of assets	(2)	<u>169,283,765</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 4,718,213</u>	(1) - (2)
Funded ratio	(4)	<u>97.3%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 41,821,305</u>	
UAAL as % of covered payroll	(6)	<u>11.3%</u>	(2) / (5)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of trust assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation includes:

Valuation date	December 31, 2006
Actuarial cost method	Individual Entry Age Normal Cost
Amortization method	General Division liabilities were amortized using a 20 year level dollar method. Library liabilities were amortized using 7.2 year level dollar method. Mental Health liabilities were amortized using a 9.1 year level dollar method.
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	5.0% to 12.0%
Cost-of-living adjustments	4.5%, certain Road Commission members only

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Notes To Financial Statements

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### Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 2,034,222	100%	\$ -
12/31/06	3,170,195	100%	-
12/31/07	4,910,784	100%	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

# MONROE COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Required Supplementary Information

### SCHEDULE OF FUNDING PROGRESS

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (Overfunded) (UAAL) (2-1)	Funded Ratio (1/2)	Covered Payroll	UAAL as a % of Covered Payroll (3/5)
1997	\$ 105,788,939	\$ 87,098,801	\$ (18,690,138)	121.5%	\$ 28,814,126	-64.9%
1998	117,699,465	91,136,434	(26,563,031)	129.1%	29,309,641	-90.6%
1999	132,836,927	97,650,685	(35,186,242)	136.0%	31,064,894	-113.3%
2000	143,765,352	105,824,598	(37,940,754)	135.9%	32,749,688	-115.9%
2001	150,304,504	116,359,159	(33,945,345)	129.2%	35,250,392	-96.3%
2002	148,404,995	125,652,447	(22,752,548)	118.1%	35,895,185	-63.4%
2003	162,683,115	139,141,015	(23,542,100)	116.9%	37,862,618	-62.2%
2004	162,725,639	150,510,011	(12,215,628)	108.1%	38,712,508	-31.6%
2005	163,151,579	163,641,875	490,296	99.7%	41,047,874	1.2%
2006	169,283,765	174,001,978	4,718,213	97.3%	41,821,305	11.3%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
1998	\$ 1,110,338	\$ 1,110,338	100.00%
1999	579,687	579,687	100.00%
2000	197,395	197,395	100.00%
2001	133,907	133,907	100.00%
2002	155,524	155,524	100.00%
2003	191,979	191,979	100.00%
2004	1,411,037	1,411,037	100.00%
2005	2,034,222	2,034,222	100.00%
2006	3,170,195	3,170,195	100.00%
2007	4,910,784	4,910,784	100.00%